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OFFICE OF CURRENT INTELLIGENCE
13 August 1954

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TO : Deputy Director (Intelligence)

SUBJECT: Weekly Summary of Trieste Developments

Little progress was made last week in the negotiations toward a Trieste settlement. In fact, the attitude of the parties immediately concerned, particularly that of the Yugoslavs, has stiffened.

Regarding the primary problem of arriving at a mutually acceptable demarcation line, Yugoslav foreign secretary Popovic strongly reiterated, in an 11 August conversation with Ambassador Riddleberger, that his government considers that it has made its maximum concessions. He expressed the hope that the most strenuous effort would be made to persuade the Italians to agree to the frontier proposed to them by the United States and Britain on 1 June.

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It should be remembered that the Italians have been adamant in their insistence that some territorial concessions be made in their favor to prevent the final settlement from appearing as a "diktat."

While Yugoslav delegate Velebit agreed to clear up the other issues and then return to the territorial question, little was accomplished. The question of border traffic continues unresolved and although Velebit accepted much of the Italian text on minorities, several points have been referred to Belgrade for comment before this issue can be cleared up. Regarding reciprocity for cultural houses,

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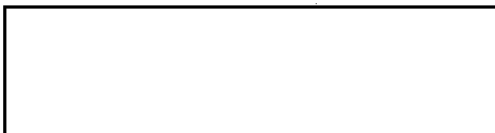
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Velebit thought his government would reject the Italian proposals. US delegate Thompson believes that the Italians should be pressed to accept the Yugoslav views on this point as further concessions on their part are unlikely. While Velebit rejected the Italian proposals for consulates, he did agree to submit to Belgrade Thompson's suggestion that any arrangement on consulates be limited to two or three years. If Belgrade accepts this suggestion, reaching agreement on this point should be greatly facilitated.

Considerable concern has arisen over the signing this week of an Italian law, which would in effect exclude from benefits those civil servant in the Free Territory of Trieste who have committed specific acts toward preventing the return of Trieste to Italy. Since this directly contradicts the non-prosecution clause demanded by Yugoslavia, its publication now might jeopardize the entire settlement. Efforts are being made, therefore, to hold up publication until some form of assurances can be worked out to meet the legitimate Yugoslav concern.

An indirectly complicating factor in the negotiations was the Yugoslav refusal to acknowledge the favorable stand taken by the Italian representative in the North Atlantic Council concerning the Balkan military alliance prior to its conclusion this week. Initial Italian reaction was that this in itself was not too important, but that it was symptomatic of the attitude the Yugoslavs are continuing to maintain regarding Italy which, if continued, will make improvement of Italian-Yugoslav relations most difficult. In view of the importance that the Italians gave to their "statesman-like attitude" on the military alliance, however, it is probable that the last has not been heard concerning the Yugoslav position on this issue.

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